

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 NEA-11 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 FEA-02

OMB-01 SCI-06 EA-11 SAJ-01 DRC-01 /210 W

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R 251545Z JAN 74

FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 7108

INFO USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

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STATE ALSO FOR T/IEP

E.O. 11652: N/A

TAGS: ENRG, TECH, ETRO, EGEN, FI

SUBJ: ENERGY -- FINLAND COMPLETES FIRST PHASE OF

PRICE NEGOTIATIONS WITH SOVIET UNION ON

PETROLEUM IMPORTS

REF: HELSINKI 0161

1. SUMMARY: FINLAND SIGNED AGREEMENT FOR PURCHASE
PRICE OF PETROLEUM PRODUCTS FROM SOVIET UNION ON
JANUARY 24, WHICH CALLS FOR DETERMINATION OF PRICE
ON MONTHLY BASIS. NO DECISION WAS REACHED ON CRUDE
OIL PRICES. MINISTRY OF TRADE ESTIMATES MADE
FOLLOWING ABOVE NEGOTIATIONS INDICATE FINLAND'S
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TOTAL OIL IMPORTS FROM ALL SOURCES WILL RISE BY ABOUT
FMK 4.0 BILLION, MORE THAN PREVIOUSLY ANTICIPATED.

DISCUSSIONS ON WHAT PRODUCTS FINLAND MIGHT EXPORT TO SOVIET UNION TO OFFSET DEFICIT IN BILATERAL TRADE ENDED INCONCLUSIVELY ALTHOUGH PRESS HAS SPECULATED THAT PERHAPS ADDITIONAL FMK 1.0 BILLION OF EXPORT SALES MAY BE POSSIBLE. MINISTRY OF TRADE SOURCE HAS INDICATED TO EMBASSY THAT SOVIET UNION WILL BE WILLING TO EXTEND TRADE CREDIT AND NOT REQUIRE OIL DEFICIT TO BE PAID IN CONVERTIBLE CURRENCY. END SUMMARY.

2. NEGOTIATIONS THIS PAST WEEK BETWEEN SOVIET DIRECTOR-GENERAL OF SOJUSNEFTE-EXPORT V.E. MERKULOV AND MANAGING-DIRECTOR OF NESTE OY, UOLEVI RAADE, ENDED JANUARY 25 WITH AGREEMENT ON PRICING OF PETROLEUM PRODUCT IMPORTS. ACCORDING TO TRADE MINISTRY SOURCE (BROK WAHLROOS), PETROLEUM PRODUCTS FOR ANY MONTH WILL BE BASED ON AVERAGE OF HIGH AND LOW PRICES FOR PRECEDING MONTH. THUS, PRICES WILL VARY MONTH BY MONTH. NO DECISION WAS REACHED WITH RESPECT TO CRUDE OIL SINCE ABOVE FORMULA WAS NOT CONSIDERED ADVANTAGEOUS TO FINNS. ALSO, INSTEAD OF CARRIBEAN BASE (ARUBA) FOR PRICES, FUTURE IMPORTS WILL BE BASED ON ROTTERDAM SPOT MARKET. CRUDE OIL PRICE NEGOTIATIONS WILL BE CONCLUDED WITHIN MONTH, ACCORDING TO SAME SOURCE.

3. IMPACT OF ABOVE AGREEMENT TOGETHER WITH PRICE DEVELOPMENTS IN OPEC COUNTRIES WILL MEAN ACCORDING TO MINISTRY OF TRADE AN INCREASE IN TOTAL OIL IMPORT BILL OF FMK 4.0 BILLION IN 1974 (I.E. FMK 5.7 BILLION IN TOTAL OIL IMPORTS). ABOVE CALCULATION ASSUMES A RISE IN PRICES OF THREE TO FOUR-FOLD OVER DECEMBER 1973 PRICES.

4. DOMESTICALLY, NESTE OY HAS DECIDED TO RAISE COST OF HEAVY OIL TO 59 PENNIES PER LITER (FMK 591.30/1,000 LITER), AN INCREASE OF 131 PERCENT OVER LAST DECEMBER. GASOLINE PRICES WILL RISE BY 25 PERCENT. MINISTRY OF TRADE SOURCE INDICATED UNHAPPINESS THAT INDUSTRY OIL COSTS WILL LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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RISE MUCH MORE SHARPLY THAN GASOLINE FOR TRANSPORTATION NEEDS AND ATTRIBUTED DECISION TO DOMESTIC POLITICS.

5. TO OFFSET TRADE DEFICIT CAUSED BY OIL, FINNISH OFFICIALS HAD SOME DISCUSSIONS ON PRODUCTS WHICH MIGHT BE EXPORTED TO MEET THIS. TRADE MINISTRY SOURCE CONFIRMED PRESS ESTIMATE THAT PERHAPS FMK 1.0 BILLION IN INCREASED EXPORTS OR THROUGH CONTRIBUTIONS TO SOVIET CONSTRUCTION PROJECTS

MAY BE POSSIBLE. IN ANY CASE, SOURCE SAID SOVIET UNION WILL BE WILLING TO EXTEND CREDIT WHILE DEFICIT EXISTS AND NOT REQUIRE SETTLEMENT IN CONVERTIBLE CURRENCY. WITH RESPECT TO LARGE PROJECTS IN SOVIET UNION TO WHICH FINNISH FIRMS ARE CONTRIBUTING, AN UNDERSTANDING WAS REACHED ALSO FOR THE SOVIET UNION TO CONTRIBUTE TO FINANCING RATHER THAN LEAVING THIS RESPONSIBILITY TO FINNS.
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